

PALMYRA TOWNSHIP
DOUGLAS COUNTY, KANSAS

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
AND

INDEPENDENT AUDITORS' REPORTS

Gregg A. Neis CPA

CERTIFIED PUBLIC ACCOUNTANT

PALMYRA TOWNSHIP
DOUGLAS COUNTY, KANSAS

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

January 26, 2015

Board of Trustees
Palmyra Township, Douglas County, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Palmyra Township, Douglas County, Kansas a municipality, as of and for the year ended December 31, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the Kansas Municipal Audit and Accounting Guide. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Palmyra Township, Douglas County, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Palmyra Township, Douglas County, Kansas as of December 31, 2014 or changes in financial position and cash flows there of for the year then ended.

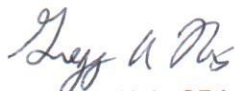
Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Palmyra Township, Douglas County, Kansas as of December 31, 2014 and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Regulatory Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and disbursements-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however, are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2013 actual columns presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget, (Schedule 2 as listed in the table of contents) are presented for comparative analysis and are not a required part of the 2013 basic financial statement upon which we rendered an unqualified opinion dated January 21, 2014. The 2013 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, at the following link <http://da.ks.gov/ar/muniserv/>.


Gregg A. Neis CPA

PALMYRA TOWNSHIP
DOUGLAS COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

Palmyra Township, Douglas County, Kansas, (the Township) is a municipal corporation governed by an elected three member Board of Trustees. The regulatory financial statement presents all funds over which the Board of Trustees exercises financial responsibility. Financial responsibility includes appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Township has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Township to use the regulatory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts (except as noted), cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the Township are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements. Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase, as required by state statutes.

PALMYRA TOWNSHIP
DOUGLAS COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES – Continued

Regulatory Basis Fund Types

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Township:

Governmental Funds

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Fund - to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expenditure for specific purposes.

Assets and Liabilities

Deposits

At year end the carrying amount of the Township's deposits, was \$207,284. The bank balance was \$311,275. Of the bank balance, \$250,000 was covered by FDIC insurance. State statutes require Township's deposits in financial institutions to be entirely covered by FDIC insurance or by pledged securities held under joint custody receipts issued by a third-party bank in the Township's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the Township, the pledging bank and the independent third-party bank holding the pledged securities.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide the following sequence and timetable in the adoption of the legal annual budget:

1. Preparation of the budget for the succeeding fiscal year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing. Adoption of the final budget on or before August 25th.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES – Continued

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do

PALMYRA TOWNSHIP
DOUGLAS COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES – Continued

a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the current year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, agency funds and the following special revenue funds:

Special Machinery Reserve Fund Fire Protection Reserve Fund

Spending in funds which are not subject to the legal annual operating budget requirements are controlled by federal regulation, other statutes, or by the use of internal spending limits established by the governing body.

NOTE 2 – LONG TERM DEBT

The following schedule shows the changes in long-term debt and related maturities.

Issue and Date	Interest Rate	Original Amount	Balance 1/1/2014	Additions	Principal Payments	Balance 12/31/2014	Interest Paid
Capital Lease 7/25/2008							
Fire Truck	4.75%	<u>\$ 176,762</u>	<u>\$ 97,164</u>	<u>-</u>	<u>\$17,854</u>	<u>\$ 79,310</u>	<u>\$ 4,662</u>
Maturity Schedule							
		Principal Due		Interest Due			
2015		\$ 18,702		\$ 3,814			
2016		19,582		2,934			
2017		20,520		1,995			
2018		<u>20,506</u>		<u>1,021</u>			
		<u>\$ 79,310</u>		<u>\$ 9,764</u>			

PALMYRA TOWNSHIP
DOUGLAS COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 3 - COMPENSATED ABSENCES

The Township's policy regarding vacation leave allows employees to earn vacation time based upon length of service. Annual vacation time is payable upon termination of employment. Sick leave may be accumulated to a maximum of 90 days. Upon termination of employment, all accrued sick leave shall be lost and have no monetary value except when the employee retires, is permanently disabled or dies. At December 31, 2014, the Township has estimated the cost of accumulated sick pay or vacation time at \$ 2,250.

NOTE 4 - INTERFUND TRANSACTIONS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
Road Fund	Special Machinery Reserve	K.S.A. 68-141g	\$ 120,000
Fire Protection Reserve	Palmyra Fire District No.2	K.S.A. 80-1558	22,103

NOTE 5 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Management was not aware of statutory violations.

NOTE 6 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceed commercial insurance during the past fiscal year.

PALMYRA TOWNSHIP
DOUGLAS COUNTY, KANSAS

Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2014

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance- Favorable (Unfavorable)</u>
Governmental Type Funds:					
General	\$ 137,089	\$ 4,322	141,411	\$ 113,884	\$ 27,527
Special Revenue Funds					
Road	485,018	6,990	492,008	477,596	14,412
Fire Protection	74,914	-	74,914	71,338	3,576

The accompanying notes to financial statements are an integral part of this statement.

PALMYRA TOWNSHIP
DOUGLAS COUNTY, KANSAS

GENERAL FUND

Schedule of Receipts and Expenditures – Actual and Budget

Regulatory Basis

For the year ended December 31, 2014

(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	Budget	Actual	Variance- Favorable (Unfavorable)	Prior Year Actual
Cash Receipts				
Ad Valorem Property Taxes	\$ 125,480	\$ 122,872	\$ (2,608)	\$ 85,345
Delinquent Property Tax	1,300	2,390	1,090	1,721
Motor Vehicle Taxes	9,419	10,138	719	9,766
Recreational Vehicle Taxes	195	188	(7)	173
16/20 Motor Vehicle Taxes	241	485	244	241
Motor Vehicle Rental Excise Taxes	4	7	3	5
Insurance Reimbursement	-	4,322	4,322	2,638
Road Maintenance Reimbursement	-	-	-	5,058
Miscellaneous	-	154	154	476
Interest on Idle Funds	450	308	(142)	174
Total Cash Receipts	137,089	140,864	3,775	105,597
Expenditures				
Road Maintenance Wages	-	1,928	(1,928)	-
Township Officers Wage	13,500	17,400	(3,900)	17,050
Fire Chief Wage	300	900	(600)	900
Fire Call Payments	-	3,830	(3,830)	2,415
Payroll Taxes and Benefits	25,000	-	25,000	560
Utilities	5,000	5,535	(535)	5,052
Insurance	36,000	32,647	3,353	30,183
Supplies and Repairs	36,089	4,334	31,755	3,762
Fuel	20,000	15,680	4,320	1,056
Equipment	-	535	(535)	-
Professional Fees	1,200	4,874	(3,674)	1,184
Contract Services	-	4,405	(4,405)	10,221
Road Materials	-	21,316	(21,316)	41,087
Township Budget Meetings	-	500	(500)	750
Miscellaneous	-	-	-	-
Total expenditures	137,089	113,884	23,205	114,220
Receipts Over (Under) Expenditures	-	26,980	26,980	(8,623)
Other Financing Sources (Uses)				
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Receipts and Other Sources Over (Under)				
Expenditures and Other Uses	-	26,980	26,980	(8,623)
Unencumbered Cash Balance - Beginning	-	5,724	5,724	14,347
Prior Year Cancelled Encumbrance	-	-	-	-
Unencumbered Cash Balance - Ending	\$ -	\$ 32,704	\$ 32,704	\$ 5,724

The accompanying notes to financial statements are an integral part of this statement.

PALMYRA TOWNSHIP
DOUGLAS COUNTY, KANSAS

ROAD FUND

Schedule of Receipts and Expenditures – Actual and Budget

Regulatory Basis

For the year ended December 31, 2014

(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	Budget	Actual	Variance- Favorable (Unfavorable)	Prior Year Actual
Cash Receipts				
Ad Valorem Property Taxes	\$ 379,475	\$ 375,166	\$ (4,309)	\$ 254,009
Delinquent Property Tax	4,000	6,183	2,183	5,207
Motor Vehicle Taxes	29,429	32,222	2,793	33,171
Recreational Vehicle Taxes	808	674	(134)	734
16/20 Motor Vehicle Taxes	1,306	1,880	574	1,455
Special Highway/Gasoline Taxes	70,000	72,016	2,016	71,909
Douglas County Road Reimbursement		4,211	4,211	10,458
Road Maintenance Reimbursement	-	2,779	2,779	16,438
Miscellaneous	-	-	-	-
Interest on Idle Funds	-	-	-	-
Total Cash Receipts	<u>485,018</u>	<u>495,131</u>	<u>10,113</u>	<u>393,381</u>
Expenditures				
Township Officers Wage	2,600	-	2,600	350
Road Maintenance Wages	130,000	100,994	29,006	127,644
Payroll Taxes and Benefits	28,000	10,736	17,264	15,266
Utilities		66	(66)	-
Insurance		-	-	-
Supplies and Repairs	124,518	43,609	80,909	8,309
Fuel	48,000	41,515	6,485	47,391
Equipment	-	-	-	-
Contract Services		15,344	(15,344)	39,742
Road Materials	151,900	145,332	6,568	115,685
Miscellaneous	-	-	-	-
Total expenditures	<u>485,018</u>	<u>357,596</u>	<u>127,422</u>	<u>354,387</u>
Receipts Over (Under) Expenditures	<u>-</u>	<u>137,535</u>	<u>137,535</u>	<u>38,994</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	(120,000)	(120,000)	(41,000)
Total other financing sources (uses)	<u>-</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>(41,000)</u>
Receipts and Other Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>17,535</u>	<u>17,535</u>	<u>(2,006)</u>
Unencumbered Cash Balance - Beginning	<u>-</u>	<u>3,185</u>	<u>3,185</u>	<u>250</u>
Prior Year Cancelled Encumbrance	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,941</u>
Unencumbered Cash Balance - Ending	<u>\$ -</u>	<u>\$ 20,720</u>	<u>\$ 20,720</u>	<u>\$ 3,185</u>

The accompanying notes to financial statements are an integral part of this statement.

PALMYRA TOWNSHIP
DOUGLAS COUNTY, KANSAS
FIRE PROTECTION FUND

Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis

For the year ended December 31, 2014

(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	Budget	Actual	Variance- Favorable (Unfavorable)	Prior Year Actual
Cash Receipts				
Ad Valorem Property Taxes	\$ 66,072	\$ 65,313	\$ (759)	\$ 63,730
Delinquent Property Tax	750	1,467	717	1,207
Motor Vehicle Taxes	7,384	7,993	609	7,728
Recreational Vehicle Taxes	203	297	94	172
16/20 Motor Vehicle Taxes	312	456	144	312
Insurance Reimbursement	-	-	-	-
Miscellaneous	-	-	-	-
Interest on Idle Funds	-	-	-	-
Total Cash Receipts	<u>74,721</u>	<u>75,526</u>	<u>805</u>	<u>73,149</u>
Expenditures				
Utilities	-	2,944	(2,944)	2,833
Insurance	-	-	-	-
Supplies and Repairs	29,882	9,226	20,656	4,757
Fuel	-	3,504	(3,504)	2,389
Professional Fees	-	39	(39)	-
Contract Services	-	6,400	(6,400)	3,604
Equipment	22,516	26,709	(4,193)	7,597
Miscellaneous	-	-	-	-
Total expenditures	<u>52,398</u>	<u>48,822</u>	<u>3,576</u>	<u>21,180</u>
Receipts Over (Under) Expenditures	<u>22,323</u>	<u>26,704</u>	<u>4,381</u>	<u>51,969</u>
Other Financing Sources (Uses)				
Fire Truck Lease Purchase Payments	(22,516)	(22,516)	-	(22,516)
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	(18,500)
Total other financing sources (uses)	<u>(22,516)</u>	<u>(22,516)</u>	<u>-</u>	<u>(41,016)</u>
Receipts and Other Sources Over (Under) Expenditures and Other Uses	<u>(193)</u>	<u>4,188</u>	<u>4,381</u>	<u>10,953</u>
Unencumbered Cash Balance - Beginning	193	11,146	10,953	193
Prior Year Cancelled Encumbrance	-	-	-	-
Unencumbered Cash Balance - Ending	<u>\$ -</u>	<u>\$ 15,334</u>	<u>\$ 15,334</u>	<u>\$ 11,146</u>

The accompanying notes to financial statement are an integral part of this statement.

PALMYRA TOWNSHIP
DOUGLAS COUNTY, KANSAS

SPECIAL MACHINERY and FIRE PROTECTION RESERVE

Schedule of Receipts and Expenditures – Actual*

Regulatory Basis

For the year ended December 31, 2014

(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	Actual	Prior Year Actual
Special Machinery Reserve		
Cash Receipts		
Reimbursements	\$ -	\$ -
Total Cash Receipts	-	-
Expenditures		
Supplies and Repairs	-	14,343
Equipment	75,249	17,651
Road Materials	-	-
Capital Improvements	-	-
Total expenditures	75,249	31,994
Receipts Over (Under) Expenditures	(75,249)	(31,994)
Other Financing Sources (Uses)		
Operating transfers in	120,000	41,000
Total other financing sources (uses)	120,000	41,000
Receipts and Other Sources Over (Under) Expenditures and Other Uses	44,751	9,006
Unencumbered Cash Balance - Beginning	93,775	84,769
Unencumbered Cash Balance - Ending	\$ 138,526	\$ 93,775
<i>*This fund is not required to be budgeted.</i>		
Fire Protection Reserve		
Cash Receipts		
Reimbursements	\$ -	\$ -
Total Cash Receipts	-	-
Expenditures		
Equipment	23,407	9,024
Capital Improvements	-	-
Total expenditures	23,407	9,024
Receipts Over (Under) Expenditures	(23,407)	(9,024)
Other Financing Sources (Uses)		
Operating transfers in	-	18,500
Transfer to Palmyra Fire District No. 2	(22,103)	-
Total other financing sources (uses)	(22,103)	18,500
Receipts and Other Sources Over (Under) Expenditures and Other Uses	(45,510)	9,476
Unencumbered Cash Balance - Beginning	45,510	36,034
Unencumbered Cash Balance - Ending	\$ -	\$ 45,510
<i>*This fund is not required to be budgeted.</i>		

The accompanying notes to financial statements are an integral part of this statement.